



MINNESOTA AGRICULTURAL STATISTICS SERVICE

P.O. Box 7068, St. Paul, MN 55107-7068



In cooperation with MN Department of Agriculture

2002 Dairy Producer Opinion Survey

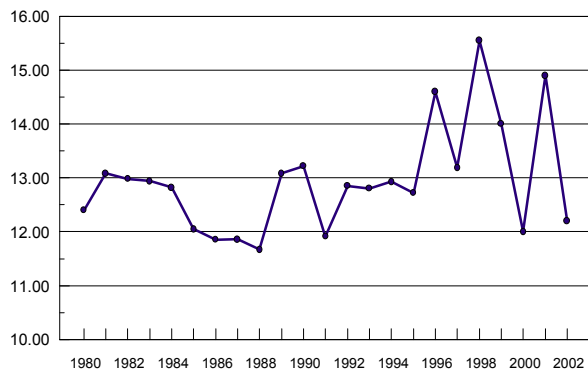
January 2003

Minnesota Milk Production To Recover

Milk production is expected to increase in Minnesota during the next five years, according to a survey conducted by the Minnesota Agricultural Statistics Service. This statewide survey of producers asked for their plans with the assumption that milk prices for the next five years will be at the same level as the past five years. The survey was conducted during November and December 2002.

All Milk Price, Minnesota Annual Average, 1980 - 2002 1/

Dollars per hundredweight



1/For 2002, price is January-November average.

Based on the survey, 57 percent of producers expect to keep the same herd size, 16 percent plan to increase herd size, and 27 percent intend to discontinue milking by 2007. Actual results will depend on future milk prices, input prices, financing availability, crop yields, and other factors.

The number of herds projected for 2007 shows that the diversity of small to large herds will continue. The most prevalent herd size will remain at 50 to 99 cows.

Minnesota Dairy Herds by Herd Size

Milk Cow herd size	Herds 2001	2007 Herds (projected) 1/	Change 2007/2001
	Number	Number	Percent
1 - 29	1,100	450	-59
30 - 49	2,700	1,000	-63
50 - 99	3,000	2,000	-33
100 - 199	700	700	+0
200 - 499	250	350	+40
500+	50	100	+100
Total	7,800	4,600	-41

1/The 2007 projection is based on farmers' opinions Nov-Dec 2002, with the assumption that milk prices for the next five years will be at the same level as the past five years.

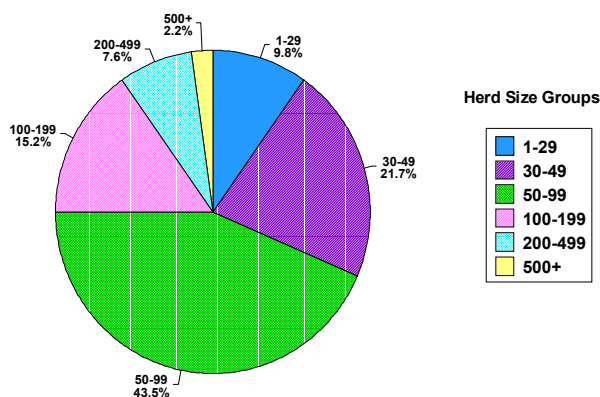
Minnesota Dairy Farmer Plans for 2007 1/

by Herd Size

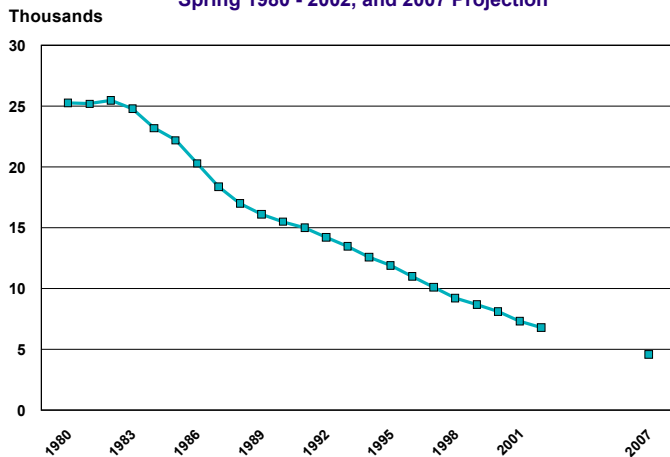
Milk Cow herd size	Herds 2001	Keep same Herd size	Increase Herd size	Discontinue milking
	Number	Percent		
1 - 29	1,100	63	12	25
30 - 49	2,700	48	17	35
50 - 99	3,000	63	12	25
100 - 199	700	65	21	14
200 - 499	250	46	44	10
500+	50	44	50	6
Total	7,800	57	16	27

1/The 2007 projection is based on farmers' opinions Nov-Dec 2002, with the assumption that milk prices for the next five years will be at the same level as the past five years.

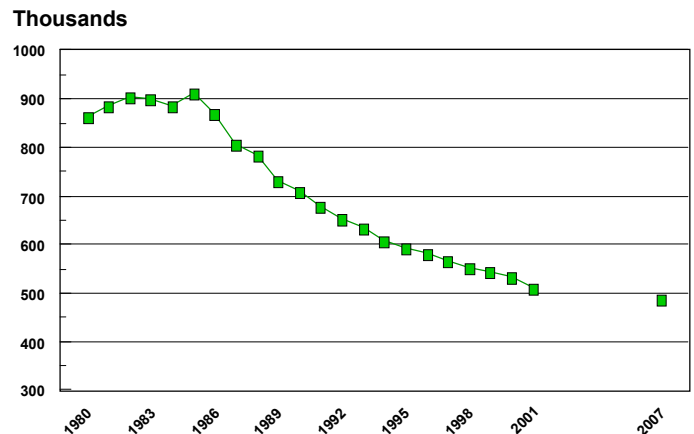
Percent of Herds by Size Group 2007 Projection



Dairy Herds Licensed in Minnesota
Spring 1980 - 2002, and 2007 Projection



Number of Cows in Minnesota
Annual Average, 1980 - 2001, and 2007 Projection

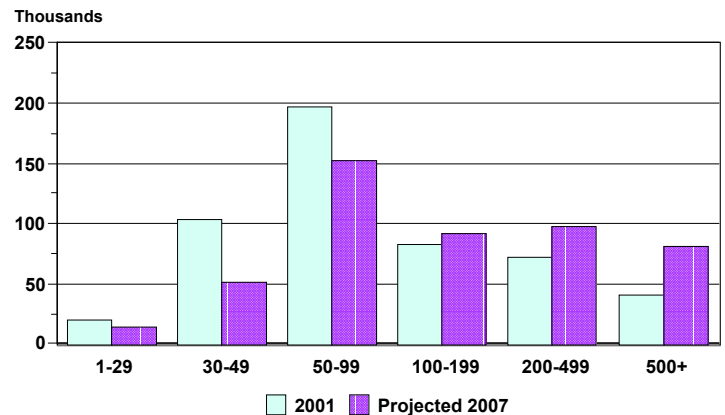


The state's dairy industry contributes about \$8 billion of the \$53 billion that agriculture brings to Minnesota's economy every year. Maintaining the dairy infrastructure is a concern for many producers. Milk production has generally been on a decline during the last twenty years, as reductions in the number of dairy herds more than offset increases in milk per cow and herd expansions.

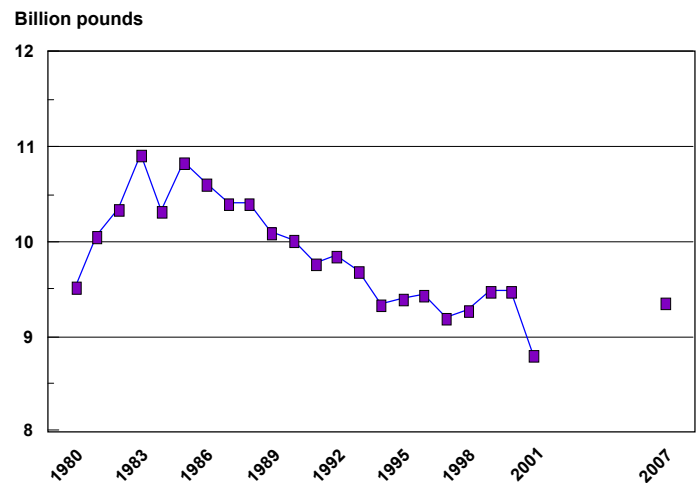
Milk production in 2007 could top 9 billion pounds if producers' plans for keeping or expanding their herds are realized, and the trend of rising milk per cow continues. Last year, Minnesota's dairy farms produced 5.3 percent of the nation's milk, while in 1983, their share of the market was 7.8 percent.

Survey results indicate that the number of milk cows is expected to decrease to 490,000. This would continue the downward trend that began in 1986.

Number of Milk Cows by Herd Size, Minnesota



Milk Production in Minnesota
1980 - 2001, and 2007 Projection 1/



1/The 2007 projection is based on farmers' opinions Nov-Dec 2002, with the assumption that milk prices for the next five years will be at the same level as the past five years and the trend of rising milk per cow continues.

Minnesota Dairy Herds, 2001 & 2007 1/

Year	Herds	Milk Cows	Milk Cows per Herd
	Number	Number	Average
2001	7,800	520,000	67
2007(projected)	4,600	490,000	102

1/The 2007 projection is based on farmers' opinions Nov-Dec 2002, with the assumption that milk prices for the next five years will be at the same level as the past five years.

Dairy Farmers Age, Partners, and Households

Including partners, 52 percent of dairy farmers are between 40 and 60 years old, and 36 percent are under 40.

The number of households per dairy farm averaged 1.4; this includes partners, but excludes hired workers. Farms with the largest herds averaged 4.1 households per farm.

Minnesota Dairy Farm Operator Age, 2002, Average and by Age Group

Milk cow herd size	Age	Under 40	40 - 60	Over 60
	Average	Percent		
1 - 29	48	19	69	12
30 - 49	47	19	73	8
50 - 99	47	22	70	8
100 - 199	48	20	67	13
200 - 499	48	18	70	12
500+	47	22	72	6
Overall	47	20	68	12

Minnesota Dairy Farm Operator and Partners 2002, by Age Group

Milk cow herd size	Under 40	40 - 60	Over 60
	Percent		
1 - 29	19	60	21
30 - 49	28	58	14
50 - 99	37	53	10
100 - 199	40	48	12
200 - 499	39	50	11
500+	43	48	9
Overall	36	52	12

Minnesota Partners and Households per Dairy Farm, 2002

Milk cow herd size	Partners (including operator)	Households 1/
	Average number	
1 - 29	1.8	1.1
30 - 49	1.8	1.1
50 - 99	2.2	1.5
100 - 199	2.6	1.8
200 - 499	3.0	2.4
500+	3.2	4.1
Overall	2.1	1.4

1/Households that share in the loss/profit of the operation (excludes hired workers).

Facility Improvements in 5 Years by Herd Size, Minnesota, 2002

Milk Cow herd size	Cow Housing	Feed or Storage	Milking System	Manure Handling	None
	Percent				
1 - 29	28	25	22	16	63
30 - 49	13	19	14	15	70
50 - 99	21	22	21	17	58
100 - 199	32	31	16	22	46
200 - 499	52	40	28	40	31
500+	67	50	22	56	22
Overall	29	27	19	22	53

Farmers who expect to make any of the facility improvements listed above, checked a category for the amount they will spend over the next five years. Expected expenditures vary by herd size. Over one half of the two largest size groups expect to make improvements costing \$100,000 or more.

Money Investments to Facilities Over Next Five Years, Minnesota, 2002 1/

Milk Cow herd size	None	Under \$10,000	\$10,000 - \$49,999	\$50,000 - \$99,999	\$100,000 - \$499,999	\$500,000 or more
	Percent					
1 - 29	23	41	23	14	0	0
30 - 49	27	37	23	8	6	0
50 - 99	26	15	31	15	14	1
100 - 199	16	9	33	19	19	5
200 - 499	9	1	19	18	34	18
500+	0	6	12	18	41	24
Overall	23	22	27	12	12	2

1/ Includes only those farmers that had intentions to improve facilities.

My dairy operation is assisted with non-farm income for family expenses and health insurance, Minnesota, 2002

Milk cow herd size	Agree	Neutral	Disagree
	Percent		
1 - 29	44	12	44
30 - 49	51	14	35
50 - 99	43	7	50
100 - 199	35	10	55
200 - 499	32	20	48
500+	33	17	50
Overall	44	11	45

My Dairy Operation Will Still be in Business in Ten Years, Minnesota, 2002

Milk Cow herd size	Agree	Neutral Percent	Disagree
1 - 29	41	34	25
30 - 49	23	30	47
50 - 99	31	37	32
100 - 199	42	36	22
200 - 499	56	31	12
500+	59	41	0
Overall	32	34	34

Benefits of incremental expansion provide a means for my dairy operation to be competitive, Minnesota, 2002

Milk Cow herd size	Agree	Neutral Percent	Disagree
1 - 29	20	30	50
30 - 49	17	45	38
50 - 99	17	47	36
100 - 199	31	47	22
200 - 499	53	33	14
500+	56	39	5
Overall	21	44	35

Farmers' Responses on Topics Minnesota, 2002

Topics	Agree	Neutral	Disagree
	Percent		
More financing opportunities are needed in my county.	35	42	23
Opportunity to enhance my dairy income is available by reducing my somatic cell count.	74	14	12
I have good choices to market my milk.	44	31	25
Good hired labor is hard to find in my area of the state.	61	30	9
I would take advantage of investment tax credits.	64	23	13
I use futures, options or forward contracts to manage my price risk.	15	34	51
Cost share programs such as EQIP are easily accessible and adequately funded.	14	57	29
Permit costs and potential legal costs associated with permitting will influence my decision to reinvest in my dairy.	50	34	16

Dairy Farmer Comments

The last item on the questionnaire asked respondents to comment on what the Minnesota state government could do to help them remain in the dairy business. We received 938 replies to this question.

The most frequent issue mentioned was milk price, with 285 comments. The overwhelming focus of the comments was the need to raise farm-level milk prices, but several also commented on the spread between retail and farm-level milk prices. Still others wrote in suggestions regarding supply management. Another 80 respondents wrote in comments about the impact of exports and imports (particularly milk protein concentrates).

Attitude was the second-most frequent topic, with 138 comments. The majority of these respondents had concerns about the ongoing debate over farm size, while others criticized the regulatory approach of state and local governments. Zoning issues were singled out by some as an area needed attention.

On a related note, environmental issues and permitting were mentioned prominently. A total of 84 respondents wrote in to share their thoughts about improving the state's permitting process and regulatory approach. Specific attention was given to the state's 7020 law and EQIP.

Another 32 respondents mentioned the importance of financing for the dairy industry, with specific focus on helping farmers who are entering the business.

Among the other topics mentioned were expansion and the impact of taxes, urban sprawl/development, and the rising cost of health care and health insurance. Respondents also discussed rising expenses for dairy farms and the various aspects of manure management. Other issues raised included the difficulty in finding qualified workers, the massive time commitment required of farmers, the benefits of futures options, the importance of cooperation among farmers, and the transfer of farms to the next generation.

Survey Methodology

Each dairy operation was assigned to a strata based on the number of milk cows in the herd. A random sample was selected from each strata. The Dairy Opinion survey was mailed in November 2002 to 3,000 dairy farmers statewide. The four-page questionnaire asked farmers about their plans for the next five years. About 700 surveys were returned in November and December. Final results were expanded by strata to account for all dairy herds in the state.